

P. 6449 COLUME 1

"...a ship flying the flag of one of our Allies was used
to transport weapons of war to Guatemala."

COMMENT:

The SS ALFHEIM, which carried a shipment of arms to Guatemala on 15 May 1954 is a Swedish vessel. Sweden is not a member of NATO or OCEAN nor does she receive economic or military aid from the U.S. Sweden is not an "ally" of the U.S. in the sense the term was used.

P. 6450 PARAGRAPH 1

"...I think it is important to note that our peacetime economy requires approximately 40,000 tons of rubber a year. We can assume that Russia's peacetime economy requires no more than that amount."

P. 6453 COLUMN 2 PARAGRAPH 12

"When the free world ships 194,000 tons of rubber to Communist bloc nations at a time when their peacetime economy requires only 40,000 tons...."

COMMENT:

US Crude Rubber Imports (FOB)

<u>Year</u>	<u>Weight</u> <u>000 Metric Tons</u>	<u>Value</u> <u>US \$ 000,000</u>
1949	699	249
1950	879	475
1951	784	823
1952	854	635
1953 *	<u>538</u>	<u>276</u>
Average**	786	509

* Through September

** 1953 projected to 12 months in calculating average

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P. 6450 COLUMN 2

"Senator Malone....We have continued to trade with foreign countries to an ever greater extent...What is there cold about (the war) when it stimulates trade with the potential enemy?"

COMMENT:

Trade between the west and the Soviet Bloc has actually decreased over the past six years, as indicated in Mr. Stassen's report of 17 May 1954.

Soviet Bloc Trade with the West, 1948-53
(\$US Million) (Total Trade Turnover)

<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
3974.	3468.	3272.	3564.	3030.	2930.

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P. 6450 COLUMN 2

"...Malaya, which....is under British control, sent 73.6 million Malayan dollars' worth of natural rubber to Russia in 1951...in return it [Malaya] received just \$40,000 Malayan dollars' worth of material of which \$38,500 was in... film. ...During the first 11 months of 1952...the USSR imported 28.7 million Malayan dollars' worth of natural rubber ...In return for the Malayan rubber, \$27,000 worth of material was received."

COMMENT:

Commerce statistics show the 1951 statistics to be essentially correct. The Commerce statistics, however, show \$27,000,000 US dollars of Malayan rubber exported to the USSR during the year 1952. No material was reported as received from the USSR.

The inference that the USSR received strategic rubber without payment—or for insignificant shipments of film in return—is erroneous as the rubber exports strengthened sterling area reserves or provided means of payment for imports from the Soviet Union to other parts of the British Empire.

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P. 6454 COLUMN 1

"In 1952...the owners of at least 85 of the 193 vessels which had carried cargoes to and from Communist China also owned vessels which carried United States government-financed goods. 15 out of the 85 vessels...carried cargo in or out of Red China and also carried United States government-financed cargoes."

COMMENT:

These figures were compiled by ONI for FOA/MDAC and were submitted to the McCarthy Committee staff on 21 April 1953. The figures are correct if the term "ownership" is construed in the widest possible sense to include all types of "beneficial ownership." We have no data concerning specific vessels that carried "U.S. government-financed goods", but a large number of shipping firms engaged in carrying such goods also provided ships for trade with Communist China.

On 19 February 1953, FOA adopted the Formosa Clause which barred a vessel carrying FOA-financed goods from trading with Communist China for 60 days after taking cargo to Formosa. The clause was subsequently widened to include the whole Communist Far East.

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P. 6454 COLUMN 3

"Because of tremendous transportation problems it is impossible for the USSR and her European satellites to supply China and Indo-China with war materials completely by land."

COMMENT:

SE-37 concluded that "the present estimated maximum capacity of the inland transportation facilities serving Communist China is probably adequate to carry essential tonnage now seaborne plus essential traffic carried by land." The Director of Naval Intelligence, the Deputy Director for Intelligence of the Joint Staff and later CINCPAC disagreed with this conclusion, feeling that a blockade would overburden the land transport system. There has been a sharp disagreement within the US intelligence community ever since over the capability of the internal Chinese transport system. There has been no disagreement, however, concerning the capability of the Trans-Siberian and connecting rail lines, which are adequate to supply China with all goods now sent by sea. CIA and the Department of State have taken the position that the internal Chinese transport system is also adequate to handle this burden.

Nearly all war material used by the Communists in Korea was transported by land routes and nearly all supplies used

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so far by the Communists in Indo-China have been transported overland. An overwhelming majority of all war material received so far by the Chinese Communists has been received from the Bloc by overland routes.

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...during the Korean War...approximately 75% of the ships entering the ports of Red China flew the flags of Allies receiving American aid.

COMMENT:

Approximately 80-85% of the ship arrivals in Chinese Communist ports in 1951, 1952 and the first half of 1953 were ships in the registry of countries that received some sort of aid from the U.S. Figures for the last half of 1950 are not readily available but are probably in accord with those for the remainder of the Korean War period.

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P. 6455 COLUMN 2

"...of 81 million tons of shipping available in the entire world, non-Communist nations control 78 million tons. If we deny that shipping to the Communists it will be a death blow to their war making power and the war in Indo-China will dry up and die over night."

COMMENT:

We agree that Communist shipping totals about 3,000,000 tons (in vessels over 1,000GRT). It should be noted that the USSR does not now fully utilize the capacity of their deep water shipping and could probably place additional Soviet flag tonnage on the China run. However, it is an error to divide world shipping into only two segments, i.e., Communist Bloc and non-Communist. Instead, the total also includes a sizable tonnage which should be classified as neutral and consequently not subject to any controls. The latter amounts to approximately 3,000,000 tons divided among several nations with over 2,300,000 belonging to Sweden and over 550,000 to Finland. Therefore, if all "allied shipping" were denied the Bloc, it would still be possible for the Communists to double the size of their merchant fleet by chartering bottoms controlled by countries which are neither members of NATO nor subscribers to COCOM.

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In addition, in a number of cases countries that are recipients of aid from the United States have little or no control over the operation of their flag vessels due to the distance from home government authorities and to the attitude of certain owners or operators. This is especially true for flag vessels in the China trade. Finally, even if all non-Bloc shipping were effectively denied the Communists, presently unused overland transport capability is sufficient to move all essential war imports to China and Indo-China. Denial of non-Communist shipping would not be "a death blow to their war making power."

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"I have before me a manifest....(of a ship) flying the Greek
Flag but....owned by a British Corporation. The name of the
vessel is the ARIETTA and its destination was the Communist port
of Wampoa in Red China.... The manifest shows that the ship
was carrying fertilizer.... The ship could not stand inspection
of that cargo of fertilizer.

COMMENT:

The ship ARIETTA of 7460 GRT is owned by a Greek Corporation and has a U.S. company acting as its agents. Its beneficial ownership is in U.K.

Information from Lloyds Shipping Index discloses that the ARIETTA left Middlesboro, England, on 12 Dec. 1953 for Wampoa. It arrived at Hong Kong on 1 February 1954 and departed 12 February. Information from [REDACTED] and CINCELM indicates that the manifest correctly listed the cargo of some 10,000 tons of ammonium sulfate, a fertilizer, and that the cargo was off-loaded at Hong Kong. The length of the stay at Hong Kong, twelve days, tends to confirm the U.S. Navy reports.

There is no indication that the vessel carried war material.

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